

Message Text

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71/43

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 SCEM-02 SS-15 NSC-10

STR-08 DODE-00 PA-03 PRS-01 USIA-15 IO-13 RSR-01 /161 W

----- 121269

R 161250Z JUL 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 4659

INFO AMEMBASSY BANGKOK

CINPAC

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LAMPUR

AMEMBASSY PHNOM PENH

AMEMBASSY SINGAPORE

UNCLAS SAIGON 12800

C O R R E C T E D C O P Y -- MRN 12800 VICE 12880 --

E.O. 11652: N/A

TAGS: ENRG VS

SUBJECT: WINNERS OF OIL CONCESSION BIDS ANNOUNCED

CINCPAC FOR POLAD

REF: SAIGON 12046 (NOTAL)

1. SUMMARY: NATIONAL PETROLEUM BOARD (NFB) HAS ANNOUNCED THAT
PECTEN VIETNAM (SHELL), ESSO, MOBIL, AND SUNNYDALE WILL BE AWARDED
OFFSHORE OIL CONCESSIONS. A SMALL PORTION OF TWO BLOCKS TO BE
AWARDED OVERLAP WITH AREAS CLAIMED BY INDONESIA. EXPLORATION
AGREEMENTS ARE EXPECTED TO BE SIGNED ON AUGUST 15. GVN WILL
THEREAFTER RECEIVE \$16.6 MILLION IN SIGNATURE BONUSES AND \$540,000
ANNUALLY IN CONTRIBUTIONS TO THE EDUCATION FUND AND IN RENTAL
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TAXES. END SUMMARY.

2. NPB HAS ANNOUNCED THAT FOUR PETROLEUM FIRMS HAVE BEEN AWARDED

THE FOLLOWING NUMBERED OIL CONCESSION BLOCKS:

PECTEN VIETNAM (LOCALLY INCORPORATED SUBSIDIARY OF SHELL OIL CO. OF HOUSTON) - BLOCKS 3, 7, AND 11
MOBIL OIL - BLOCKS 4 AND 8
ESSO EXPLORATION - BLOCK 10
SUNNYDALE - BLOCKS 21 AND 22

IT SHOULD BE NOTED THAT ABOUT A QUARTER OF SUNNYDALE'S BLOCK 22 AND A SMALL CORNER OF PECTEN'S BLOCK 11 OVERLAP WITH AREAS CLAIMED BY INDONESIA.

3. ON JULY 16 CABINET GAVE FORMAL APPROVAL TO NPB'S DECISION ON THE WINNERS FOR THE CONCESSION BIDS. PRIME MINISTER IS NOW EXPECTED TO ISSUE A DECREE GRANTING THE EXPLORATION CONCESSIONS IN ACCORDANCE WITH THE PETROLEUM LAW. NPB IS RECOMMENDING THAT SIGNING OF CONCESSION AGREEMENTS TAKE PLACE ON AUGUST 15, THE OPENING DAY OF FOURTH ECONOMIC DEVELOPMENT SEMINAR, WHICH MANY FOREIGN BUSINESSMEN ARE EXPECTED TO ATTEND.

4. UPON SIGNING AGREEMENTS GVN WILL BEGIN TO RECEIVE THE FOLLOWING BENEFITS:

A. \$16.6 MILLION IN SIGNATURE BONUSES

B. \$300,000 PER YEAR IN CONTRIBUTIONS TO EDUCATION FUND FOR MINIMUM OF THREE YEARS

C. \$35.0 MILLION (FIRST YEAR - \$5.5 MILLION, SECOND YEAR - \$12.5 MILLION, THIRD YEAR - \$17.0 MILLION) IN WORK OBLIGATIONS OVER FIRST THREE YEARS. IF ALL FIRMS RETAIN CONCESSIONS FOR FIVE YEARS WORK OBLIGATIONS WILL TOTAL \$59.25 MILLION. ABOUT 10-20 PERCENT OF THESE EXPENDITURES ARE EXPECTED TO BE SPENT IN VIETNAM

D. GVN WILL RECEIVE ANNUALLY \$240,000 IN RENTAL TAXES FROM UNCLASSIFIED

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EIGHT BLOCK AREA OF ABOUT 60,000 SQ. KILOMETERS.

E. SUNNYDALE WILL PROVIDE TWO SCHOLARSHIPS AND GRANT INTEREST INCOME FROM \$100,000 DEPOSITED IN LOCAL BANKING INSTITUTION. APPLING

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